

INCOME TAXES

The Nebraska Revenue Act of 1967 established the income tax as a major state revenue source. The state income tax, which was first collected in 1968, includes individual, fiduciary, and corporation income taxes. Revenue from income tax is deposited in the General Fund.

Individual Income Tax

The Nebraska individual income tax is imposed for each taxable year on the entire income of every resident individual. A Nebraska full-year resident must file a Nebraska individual income tax return if he or she is required to file a federal return and report a federal liability. A state filing is also required if an individual has \$5,000 or more of Nebraska adjustments to federal adjusted gross income, such as state and local bond interest. Nonresident and partial-year resident individuals are taxed on income that is derived from Nebraska sources.

Income tax is calculated as a percentage of Nebraska taxable income using a four-bracket graduated rate schedule. Additional taxes are computed on federal alternative minimum tax and premature and lump-sum distributions from qualified retirement plans at a rate equal to 29.6% of the federal tax amount. Nebraska taxable income starts with federal adjusted gross income, adds interest from non-Nebraska state and local government obligations, and subtracts U.S. government obligations and other adjustments decreasing income. A standard deduction equal to the federal amount or federal itemized deductions less state and local income tax is allowed as a deduction. These deductions, together with the personal exemption credit

(which is \$88 for tax year 1998) are reduced for higher income taxpayers. An additional tax which phases out the benefit of lower tax rates in the first income brackets is also computed by higher income taxpayers. The income threshold is \$124,500 in 1998 and will be adjusted for inflation in future years.

The following tables display the tax rates, income brackets, personal exemption amounts, and standard deduction amounts used to determine individual income tax liability for tax years 1987 through 1998:

Tax Rates by Bracket, 1987 - 1998

Year	Rate by Bracket			
	1	2	3	4
1987	2.00	3.15	5.00	5.90
1988	2.00	3.15	5.00	5.90
1989	2.00	3.10	4.80	5.90
1990	2.20	3.36	5.21	6.41
1991	2.37	3.63	5.62	6.92
1992	2.37	3.63	5.62	6.92
1993	2.62	3.65	5.24	6.99
1994	2.62	3.65	5.24	6.99
1995	2.62	3.65	5.24	6.99
1996	2.62	3.65	5.24	6.99
1997	2.51	3.49	5.01	6.68
1998	2.51	3.49	5.01	6.68

**Tax Brackets by Filing Status
for Tax Years 1987 - 1992**

Bracket	Single Individuals	Heads of Households	Married Filing Joint	Married Filing Separate
1	\$ 0 - 1,800	\$ 0 - 2,500	\$ 0 - 3,000	\$ 0 - 1,500
2	\$ 1,800 - 16,800	\$ 2,500 - 23,000	\$ 3,000 - 28,000	\$ 1,500 - 14,000
3	\$ 16,800 - 27,000	\$ 23,000 - 38,000	\$ 28,000 - 45,000	\$ 14,000 - 22,500
4	Over \$27,000	Over \$38,000	Over \$45,000	Over \$22,500

**Tax Brackets by Filing Status
for Tax Years 1993 - 1998**

Bracket	Single Individuals	Heads of Households	Married Filing Joint	Married Filing Separate
1	\$ 0 - 2,400	\$ 0 - 3,800	\$ 0 - 4,000	\$ 0 - 2,000
2	\$ 2,400 - 17,000	\$ 3,800 - 24,000	\$ 4,000 - 30,000	\$ 2,000 - 15,000
3	\$ 17,000 - 26,500	\$ 24,000 - 35,000	\$ 30,000 - 46,750	\$ 15,000 - 23,375
4	Over \$26,500	Over \$35,000	Over \$46,750	Over \$23,375

Personal Exemption & Standard Deduction Amounts 1987 - 1998

Year	Personal Exemption		Standard Deduction ¹			
	Deduction	Credit	Single	H.H.	M.J.	M.S.
1987	\$1,100	—	\$2,530	\$2,530	\$3,740	\$1,870
1988	\$1,130	—	\$3,000	\$4,400	\$5,000	\$2,500
1989	\$1,180	—	\$3,100	\$4,550	\$5,200	\$2,600
1990	\$1,230	—	\$3,250	\$4,750	\$5,450	\$2,725
1991	\$1,290	—	\$3,400	\$5,000	\$5,700	\$2,850
1992	\$1,360	—	\$3,600	\$5,250	\$6,000	\$3,000
1993	—	\$65	\$3,700	\$5,450	\$6,200	\$3,100
1994	—	\$69	\$3,800	\$5,600	\$6,350	\$3,175
1995	—	\$69	\$3,900	\$5,750	\$6,550	\$3,275
1996	—	\$72	\$4,000	\$5,900	\$6,700	\$3,350
1997	—	\$86	\$4,150	\$6,050	\$6,900	\$3,450
1998	—	\$88	\$4,250	\$6,250	\$7,100	\$3,550

¹ The following abbreviations are used: H.H., Heads of Households; M.J., Married filing Joint; M.S., Married filing Separate.

federal subchapter S election) which is doing business in Nebraska. For a corporate taxpayer subject to tax in another state, the entire adjusted federal taxable income of the unitary business is apportioned according to the statutory formula to determine the portion attributable to sources within Nebraska. For a corporate taxpayer not subject to tax in another state, the entire taxable income is subject to tax in Nebraska. Each corporate taxpayer is required to file one, single combined tax return for each taxable year.

Fiduciary Income Tax

The fiduciary income tax has two parts. If the estate or trust is set up as a conduit for income distribution to the beneficiaries, income is taxed at the beneficiary level. Where income is retained by the estate or trust it is subject to tax on its Nebraska taxable income at fiduciary rates. The tax on fiduciaries is calculated using the same rates used to calculate individual income tax, however the income brackets are different. The following tables display the brackets and tax rates for tax years 1987 - 1998.

Bracket	Taxable Income	TAX RATE				
		1987-1988	1989	1990	1991-1992	1993
1	\$ 0-500	2.0%	2.0%	2.2%	2.37%	2.62%
2	\$ 500-4,700	3.15%	3.10%	3.36%	3.63%	3.65%
3	\$ 4,700-7,550	5.0%	4.8%	5.21%	5.62%	5.24%
4	Over \$7,550	5.9%	5.9%	6.41%	6.92%	6.99%

Bracket	Taxable Income	TAX RATE		
		1994-1996	1997	1998
1	\$ 0-500	2.62%	2.51%	2.51%
2	\$ 500-4,700	3.65%	3.49%	3.49%
3	\$ 4,700-15,150	5.24%	5.01%	5.01%
4	Over \$15,150	6.99%	6.68%	6.68%

Corporation Income Tax

The Nebraska corporate income tax is imposed upon any corporation or any other entity taxed as a corporation (not including a corporation with a valid

primary individual rate. The primary individual rate is 3.70 percent. The corporate rate on the first \$50,000 of taxable income is 150.8 percent of the primary rate and 211 percent of the primary rate on the excess. The 1998 rates are 5.58 percent and 7.81 percent, respectively.

Financial Institutions Tax

Every financial institution which maintains a permanent place of business in this state and actively solicits deposits from residents of this state must file

a Nebraska Financial Institution Tax Return, Form 1120NF. This franchise tax is based on the average deposits of the financial institution. The rate of tax on deposits is 12.3 times the limitation rate. The limitation rate is 48.8 percent of the maximum corporate income tax rate in effect for the taxable year. The maximum corporate income tax rate in effect for tax year 1998 is 7.81 percent. The financial institutions tax rate for 1998 is 47 cents per thousand dollars of average deposits.

Partnerships,

S Corporations, and Fiduciaries

Partnerships, S corporations, and fiduciaries that distribute their income currently are not subject to state income tax at the entity level. Instead the

income from the partnership, S corporation, or fiduciary is distributed to the partners, shareholders, or beneficiaries and reported on the individual or corporate tax return of the income recipient.

Limited liability companies (LLC's) treated federally as partnerships will be treated as a partnership for state income tax purposes. LLC's treated federally as corporations will be treated as corporations for state income tax purposes.

Statistical Tables

Tables 1 through 9 report tax year 1997 statistical data compiled from the Nebraska Individual Income Tax Return, Form 1040N, as submitted by taxpayers. The amounts shown for Nebraska tax liabilities are calculated before applicable tax credits.

Totals compiled from Forms 1040N filed by nonresidents and from returns which could not be allocated to a specific county are listed after the county totals in Tables 1 through 3. These amounts from nonresident and unallocated returns are included in the state totals.

Table 1 - 1997 Individual Income Tax Statistics by County

Table 1 reports federal adjusted gross income, Nebraska tax table income, calculated Nebraska income tax and selected tax credits by county.

Table 2 - 1997 Farmers, Ranchers, and Fishermen Income Tax Statistics

Statistics compiled from returns of taxpayers who designated that their principal income is from farming, ranching, or fishing are reported in Table 2. Income from other sources may be included in these figures.

Table 3 - 1997 Individual Income Tax Liability by County

The total number of returns, number of returns with tax liability, and calculated liability are reported by county and by income class in Table 3.

Table 4 - Individual Income Tax Liability Per Return for 1997

Table 4 displays a map of Nebraska showing the individual tax liability per return for counties. Counties above the all county average are noted by shaded area on the map.

Table 5 - Total 1997 Individual Income Tax Liability

The number of returns, number of returns with tax liability, and the calculated tax liability are reported by income class in Table 5. A corresponding graph

shows the distribution of income tax returns and calculated tax liability by income class.

Table 6 - 1997 Resident Individual Income Tax Liability

Table 6 reports by income class the total number of returns, number of returns with tax liability, federal adjusted gross income, and the calculated tax liability compiled from Nebraska resident individual income tax returns.

Table 7 - Adjustments to 1997 Resident Individual Income Tax Returns

Table 7 reports by income class the Nebraska exemption deduction, Nebraska itemized deductions, adjustments increasing federal adjusted gross income (FAGI), adjustments decreasing FAGI, and Nebraska net taxable income for Nebraska residents.

Table 8 - 1997 Individual Income Tax Liability and Payments for Resident Returns

Table 8 reports by income class Nebraska income tax, minimum tax, total Nebraska income tax liability, withholding payments, and estimated payments for Nebraska residents.

Table 9 - 1997 Individual Income Tax Credits

Selected individual income tax credits claimed are reported by income class in Table 9.

Table 10 - General Fund Individual Income Tax Cash Receipts

A comparison of 1998 and 1997 monthly general fund individual income tax cash receipts is reported in Table 10. Cash receipts are taxes received during the specific processing month, regardless of when tax liability was incurred. Individual, partnership, and fiduciary income taxes are included.

Table 11 - General Fund Corporation Income Tax Cash Receipts

1998 and 1997 monthly general fund corporation income tax cash receipts are reported in Table 11 with a graph comparing net individual and corporate income tax receipts for 1990 through 1998.

Table 12 - Analysis of Corporation Income Tax Returns for 1996

Table 12 reports data compiled from the Nebraska Corporation Income Tax Return, Form 1120N. The number of corporations, Nebraska taxable income, and calculated liability are reported by income class.

Table 13 - Analysis of Financial Institution Tax Returns for 1996

Table 13 reports data compiled from the Nebraska Financial Institution Tax Return, Form 1120NF.